

Project Number: IIR 04-233-1

Project Title: The Potential for VA+Choice to Affect Veterans' Care and VA Expenditures

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OBJECTIVE(S):

This study proposed three objectives:

Objective 1: Quantify the types of healthcare services that VA-Medicare enrollees with different VA priority levels obtain under the Medicare program.

Objective 2: Estimate potential enrollments of VA enrollees into VA Advantage..

Objective 3: Translate projections of VA Advantage enrollments and the amounts of care that dual enrollees receive under the Medicare program into services that VA Advantage would need either to purchase or provide directly to patients enrolled in such an offering.

RESEARCH DESIGN:

Using secondary data, we combined descriptive analyses with the results of regression models to predict 1) where there would be potential interest among veterans in a VA Advantage option across the country and 2) the types of additional services that VA would expect to provide.

METHODS:

We used national Medicare denominator and utilization claims data combined with VA national patient care utilization data to summarize the types of care that VA patients receive from both systems. We used MCBS data from 1999 to 2003, supplemented with county-level benefits and premium information for Medicare HMOs to estimate the number of veterans nationwide who might qualify for a VA-Medicare HMO for Priority 7-8 veterans (currently ineligible for new enrollments). For VA patients with Priority 7 in 2002-2003, we calculated average monthly per person expenditure for the Medicare and VA programs combined for each state. We compared these averages with baseline payment rates to estimate where VA might expect the Medicare HMO rates would cover average VA expenditures under an all-inclusive VA-Medicare HMO.

FINDINGS / RESULTS:

There are about 4 million veterans in the target population for a VA-Medicare HMO, (all non-enrolled priority 7 and 8 Medicare beneficiaries with no employer supplement and no Medicaid coverage). Of these, as many as 1.2 million could potentially enroll in a VA-Advantage program or a VA-Medicare Part D (stand alone prescription drug) plan (PDP). The number who might enroll would depend on the characteristics of the VA product. We also concluded that the VA has capacity to offer a Medicare PDP, depending on enrollment rules. There are numerous implementation issues. In about one third of the nation's 3217 counties, the baseline Medicare monthly payment rates exceeded VA's expected expenditures. In about 20 states, without further risk adjustment of the Medicare HMO payment rates, the VA would do better than breakeven statewide; in 21 states, even if all the VA-Medicare enrollees were drawn from the counties with the highest monthly rates, VA might not break even without a very large risk adjustment.

For VA patients aged 65+ and with Priority 7 in 2003, on average $\frac{3}{4}$ of their public health expenditures were through the Medicare program. Basing a VA-Medicare product only on VA's experience with this patient population will produce overestimates of the financial success of such an undertaking.

IMPACT:

This project expands information on the care for VA patients dually enrolled in the Medicare program and translates research findings into information of value to VA policymakers who have already tried to design a VA-Medicare HMO plan.

STATUS: Complete